

HOUSE BILL REPORT

HB 3142

As Reported by House Committee On:
Select Committee on Hood Canal

Title: An act relating to sales and use tax exemptions for on-site sewage disposal systems in aquatic rehabilitation zones.

Brief Description: Providing sales and use tax exemptions for certain on-site sewage disposal systems.

Sponsors: Representatives Eickmeyer, Sump, McCoy, Chase, Dunn and Upthegrove.

Brief History:

Committee Activity:

Select Committee on Hood Canal: 1/26/06 [DP].

Brief Summary of Bill

- Exempts the installation of eligible on-site sewage disposal systems within Aquatic Rehabilitation Zone One from sales and use tax.

HOUSE COMMITTEE ON SELECT COMMITTEE ON HOOD CANAL

Majority Report: Do pass. Signed by 7 members: Representatives Eickmeyer, Chair; McCoy, Vice Chair; Pearson, Ranking Minority Member; Sump, Assistant Ranking Minority Member; Appleton, Chase and Walsh.

Staff: Jeff Olsen (786-7157).

Background:

Retail sales and use tax

The retail sales tax applies to the selling price of tangible personal property and of certain services purchased at retail. The tax is levied at a 6.5 percent rate by the state. Cities and counties may levy a local tax at a rate up to a maximum of 3.1 percent. Currently, local rates levied range from 0.5 percent to 2.4 percent. Sales tax is paid by the purchaser and collected by the seller.

The use tax is imposed on taxable items and services used in the state that are not subject to the retail sales tax. This includes purchases made in other states and purchases from sellers who do not collect Washington sales tax. The state and local rates are the same as those

imposed under the retail sales tax. Use tax is paid directly to the Department of Revenue (DOR).

All items or services sold or acquired at retail are subject to the retail sales and use taxes unless specifically exempted. Tax is due at the time of sale or first use within the state.

Hood Canal

Hood Canal is a glacier-carved fjord approximately 60 miles in length with approximately 180 miles of shoreline. Portions of Hood Canal have had low dissolved oxygen concentrations for many years. In 2005, authority was provided to establish aquatic rehabilitation zones (ARZs) for areas whose surrounding marine water bodies pose serious environmental or public health concerns. The first ARZ, known as ARZ One, was created for the watersheds that drain into Hood Canal south of a line projected from Tala Point in Jefferson County to Foulweather Bluff in Kitsap County.

Summary of Bill:

The installation of eligible on-site sewage disposal systems within ARZ One is exempt from sales and use tax. Eligible systems include on-site sewage disposal systems constructed under a permit issued by a local health officer. Exemptions are only available when the buyer provides the seller with an exemption certificate on a form provided by the DOR.

Appropriation: None.

Fiscal Note: Requested on 1/21/06.

Effective Date: The bill takes effect on July 1, 2006.

Testimony For: Many of the companies providing new technology that treat sewage, including treating nitrogen, are start-up companies and could use financial incentives to be competitive. This tax exemption is part of a package of incentives that could assist homeowners and encourage them to maintain and repair their systems. The average age of an on-site system in Hood Canal is 20 years old, and one in five systems on the marine shoreline were installed before the state developed on-site sewage system regulations.

Testimony Against: None.

Persons Testifying: Representative Eickmeyer, prime sponsor; Ezra Eickmeyer; Lynda Ring Erickson, Mason County Commissioner; and Dave Christensen, Hood Canal Coordinating Committee.

Persons Signed In To Testify But Not Testifying: None.